

Low Income Health Program (LIHP) Frequently Asked Questions (FAQs) – June 21, 2012

Federally Qualified Health Center (FQHC) Prospective Payment System (PPS)

No.	Question	Answer
1.	Can the local LIHP negotiate a lower rate than PPS rates for FQHCs and RHCs?	No. The Benefits Improvement and Protection Act (BIPA) of 2000, Section 702 requires that Medicaid programs reimburse FQHCs and RHCs on a prospective payment system (PPS) or at the option of the State, under an alternative payment methodology (APM).
2.	Does the requirement to pay the PPS rate apply to all FQHCs, Rural Health Clinics (RHCs), FQHC “look-alikes”, and tribal/urban FQHCs?	The requirement to pay PPS rate or APM that is at least PPS is applied to all FQHCs/RHCs/FQHC “look-alikes” and tribal/urban FQHCs. However, the tribal/urban FQHCs (IHS/638 facilities) can choose to be reimbursed an All Inclusive Rate other than the FQHC PPS/APM.
3.	Is the local LIHP required to contract with RHCs?	No. Local LIHPs are only required to contract with at least one FQHC if such a health center exists in the county or geographic service area of the local LIHP.
4.	Can the local LIHP negotiate Alternative Payment Methodology (APM) rates for FQHCs and RHCs?	Yes. Under BIPA of 2000, Section 702, on the PPS, an APM is authorized as an option for reimbursing FQHCs and RHCs. Local LIHPs may develop APMs as options for reimbursing FQHCs and RHCs. The clinics must agree to the APM and the APM must be at least equal to the Medicaid PPS rate.
5.	What is an APM?	The APM continues established reasonable cost reimbursement using Medicare principles of reimbursement. The APM is a separate methodology other than the PPS rate for paying FQHCs/RHCs and must reimburse a FQHC/RHC in an amount that is not less than the amount the FQHC/RHC is entitled to under the Medicaid PPS. The APM allows for flexibility in the reimbursement process to the extent that the APM is based on cost, allowable cost is determined in accordance with cost reimbursement principles in 42 CFR Part 413, and is consistent with 42 CFR 92.22, which refers to the OMB Circulars and Generally Accepted Accounting Principles.
6.	What are the statutory requirements for an APM?	BIPA and subsequent guidance issued by the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration or HCFA) reference two statutory requirements for APMs: 1) An APM must be agreed to by the state and the individual FQHC or RHC, and, 2) an APM must result in a payment rate to the FQHC or RHC that is at least equal to the Medicaid PPS rate.
7.	What is the process for an APM and rate to be approved for a LIHP?	Department of Health Care Services (DHCS) must approve the APM and rate for each individual FQHC or RHC that participates in a LIHP provider network. However, DHCS does not specify any particular methodology for determining this rate. The local LIHP

		must submit the methodology and documentation needed for DHCS to approve the rate. DHCS will not approve an APM and related rate if it reimburses the FQHC or RHC for an amount that is less than the PPS rate.
8.	What must the APM rate methodology include at a minimum?	The Medicaid PPS rate for an FQHC or RHC must be documented with supporting documentation provided first. Assurance must be provided by the FQHC/RHC that the APM rate is at least equal to the PPS rate. The APM rate cannot exceed what would be paid under the applicable Medicare upper payment limit provisions for clinics. A process must be included that each year compares what the PPS rate would be to the approved APM rate.
9.	How must the DHCS and/or local LIHP demonstrate that payment to FQHCs and RHCs under the APM is at least equal to the Medicaid PPS rate?	According to 2010 CMS guidance on APMs in the Children's Health Insurance Program (CHIP), DHCS may accept an FQHC's or RHC's written assertion that the amount paid under the APM results in payment that at least equals the amount to which the FQHC or RHC is entitled under the PPS.
10.	What happens if only some FQHCs or RHCs agree to accept the APM?	The APM may be applied to only those FQHCs and RHCs that agree to accept the APM. For those FQHCs and RHCs that do not accept the APM, they must be reimbursed at the PPS rate.